

**[4310-MR-W]**

**DEPARTMENT OF THE INTERIOR**

**Minerals Management Service**

**Agency Information Collection Activities: Proposed Collection, Comment Request**

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Notice of extension of a currently approved information collection (OMB Control Number 1010-0126).

---

**SUMMARY:** To comply with the Paperwork Reduction Act (PRA) of 1995, we are inviting comments on a collection of information we will submit to the Office of Management and Budget (OMB) for review and approval. The information collection request (ICR) is titled “Royalty-in-Kind (RIK) Pilot Program—Directed Communications by Operators of Federal Oil and Gas Leases.”

**DATES:** Submit written comments on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Submit written comments to Sharron L. Gebhardt, Regulatory Specialist, Minerals Management Service, Minerals Revenue Management, P.O. Box 25165, MS320B2, Denver, Colorado 80225. If you use an overnight courier service, our courier address is Building 85, Room A-614, Denver Federal Center, Denver, Colorado 80225. You may also email your comments to us at [mrm.comments@mms.gov](mailto:mrm.comments@mms.gov). Include the title of the information collection and the OMB control number in the “Attention” line of your comment. Also include your name and return address. Submit electronic comments as an ASCII file avoiding the use of special

characters and any form of encryption. If you do not receive a confirmation we have received your email, contact Ms. Gebhardt at (303) 231-3211.

**FOR FURTHER INFORMATION CONTACT:** Sharron L. Gebhardt, telephone (303) 231-3211, FAX (303) 231-3385, or email [sharron.gebhardt@mms.gov](mailto:sharron.gebhardt@mms.gov).

**SUPPLEMENTARY INFORMATION:**

Title: “Royalty-in-Kind (RIK) Pilot Program—Directed Communications by Operators of Federal Oil and Gas Leases.”

OMB Control Number: 1010-0126

Abstract: The Department of the Interior (DOI) is responsible for matters relevant to mineral resource development on Federal and Indian Lands and the Outer Continental Shelf (OCS). The Secretary of the Interior (Secretary) under the Mineral Leasing Act (30 U.S.C. 192) and the OCS Lands Act (43 U.S.C. 1353) is responsible for managing the production of minerals from Federal and Indian lands and the OCS; collecting royalties from lessees who produce minerals; and distributing the funds collected in accordance with applicable laws. MMS performs the royalty management functions for the Secretary.

Most royalties are now paid in value. For example, when a company or individual enters into a contract to develop, produce, and dispose of minerals from Federal lands, that company or individual agrees to pay the United States a share (royalty) of the full value received for the minerals taken from leased lands. MMS has undertaken several pilot programs to study the feasibility of taking the Government's royalty in the form of production, that is, as RIK.

Collection of RIK requires communication between MMS and the operators of a lease to assure accurate and timely delivery of MMS's royalty share of production volumes.

MMS, as responsible steward of oil and gas royalties, must direct operators of affected MMS leases to carry out three types of communication to take MMS's RIK crude oil or natural gas. The types of information that operators must provide are as follows:

(1) About 8-10 days before end of the month, report initial information about the projected volumes and qualities of RIK production the operator expects to make available in the next month, and corrections to those projected volumes and qualities for the month, submitted at varying frequencies during the month;

(2) When needed, report billing information about transportation/billing arrangements for the RIK to the delivery point, and

(3) Report month-end summary information (lease imbalance statement) about total RIK volumes and qualities needed to carry over to the next month to resolve aggregated imbalances that have incurred in prior months of RIK deliveries.

Experience with the Wyoming and Texas 8(g) Pilots demonstrate directed communication requirements differed according to the needs of each pilot situation. For example, in the Wyoming Pilot, RIK was delivered to the purchasers at the lease. Therefore, the direction to make transportation arrangements was included in "Dear Operator" letters issued to those operators. For these reasons, we are not requesting OMB approval of specific "Dear Operator" letters to operators but, instead, requesting OMB approval to continue collecting the three kinds of reporting requirements concerning communications between operators and MMS. By obtaining continued approval for these three kinds of reporting requirements, MMS will be able

to select the types of directed communications needed for each situation and include only those types in a “Dear Operator” letter appropriate to the operation.

The types of communication and the supporting data MMS will require operators to use in setting up the monthly delivery of RIK to the purchaser are standard business practices in the oil and gas industry. The information in the directed communication is essential to the delivery and acceptance of verifiable quantities and qualities of oil and gas and is exchanged as a normal part of the conduct of those business activities, even when the operators are not directed to do so.

In addition, due to their similarity, we are merging this ICR with OMB Control Number 1010-0130, Directed Communications between Operators of Federal RIK Leases and Deliverers of Equivalent Oil Production to the Strategic Petroleum Reserve (SPR).

On February 11, 1999, DOI announced that it would assist in an initiative to refill the SPR. This initiative involved collecting RIK oil production from Federal lessees in the Gulf of Mexico and transferring it to the Department of Energy (DOE). DOE issued contracts to companies to take Federal RIK crude oil delivered by MMS’s operators and, in exchange, to deliver to DOE’s SPR an equivalent volume and quality of crude oil. DOE was projected to use 28 million barrels of RIK oil to refill the SPR.

On November 6, 2001, President Bush announced an initiative to refill the SPR. MMS, in coordination with DOE, entered into a joint, 3-year initiative to fill the remaining capacity of the SPR. Operators of Federal leases in the Gulf of Mexico will deliver MMS’s royalty oil to MMS’s exchange partner at or near the lease. MMS’s exchange partner will then deliver similar quantities of crude oil to MMS or its designated agent at Gulf Coast market centers. MMS’s

designated agent will be either DOE or its exchange contractor. DOE will then contract for the exchange or direct movement of exchange oil to the SPR.

MMS, as responsible steward of oil royalties, must direct operators of affected MMS leases to carry out three types of communication with MMS. The types of information operators must provide are as stated previously.

These types of information are necessary so that DOE's exchange contractors can arrange to timely accept accurate amounts and qualities of royalty oil that will be delivered by MMS's exchange partner and for MMS to verify timely fulfillment of operators' and lessees' royalty obligations to the Federal Government.

MMS received OMB approval for the three types of communications between MMS operators and MMS rather than approval of a single "Dear Operator" letter directing these communications. By obtaining approval for these kinds of reporting requirements, MMS is able to draft situation-specific "Dear Operator" letters--that is, letters addressing only the types of directed communications and other issues relevant to the specific situation.

No proprietary information will be submitted to MMS under this collection. No items of a sensitive nature are collected. The requirement to respond is mandatory.

Frequency of Response: Intra-Monthly (variable)

Estimated Number and Description of Respondents: 145 lessees or operators of Federal oil and gas leases participating in RIK.

Estimated Annual Reporting and Recordkeeping "Hour" Burden: 4,050 hours

The following chart shows the breakdown of the estimated burden hours:

<b>RIK Pilot Programs</b>	<b>Reporting Requirement</b>	<b>Burden Hours per Response</b>	<b>Annual Number of Responses</b>	<b>Annual Burden Hours</b>
Wyoming Oil	Intra-monthly (variable)	1	100	100
Natural Gas (Texas 8G and GOM)	Intra-monthly (variable)	1	3,600	3,600
GOM Oil	Intra-monthly (variable)	1	50	50
SPR Fill Initiative	Intra-monthly (variable)	1	300	300
<b>Total</b>			<b>4,050</b>	<b>4,050</b>

Estimated Annual Reporting and Record keeping “Non-Hour Cost” Burden: We have identified no cost burdens for this collection.

Comments: The PRA (44 U.S.C. 3501, et seq.) provides that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Before submitting an ICR to OMB, PRA Section 3506(c)(2)(A) requires each agency “\* \* \* to provide notice \* \* \* and otherwise consult with members of the public and affected agencies concerning each proposed collection of information \* \* \*. Agencies must specifically solicit comments to: (a) evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency’s estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

The PRA also requires agencies to estimate the total annual reporting “non-hour cost” burden to respondents or recordkeepers resulting from the collection of information. We have not

identified non-hour cost burdens for this information collection. If you have costs to generate, maintain, and disclose this information, you should comment and provide your total capital and startup cost components or annual operation, maintenance, and purchase of service components.

You should describe the methods you use to estimate major cost factors, including system and technology acquisition, expected useful life of capital equipment, discount rate(s), and the period over which you incur costs. Capital and startup costs include, among other items, computers and software you purchase to prepare for collecting information; monitoring, sampling, testing equipment; and record storage facilities. Generally, your estimates should not include equipment or services purchased: (i) before October 1, 1995; (ii) to comply with requirements not associated with the information collection; (iii) for reasons other than to provide information or keep records for the Government; or (iv) as part of customary and usual business or private practices.

We will summarize written responses to this notice and address them in our ICR submission for OMB approval, including appropriate adjustments to the estimated burden. We will provide a copy of the ICR to you without charge upon request and the ICR will also be posted on our web site at [http://www.mrm.mms.gov/Laws\\_R\\_D/FRNotices/FRInfColl.htm](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRInfColl.htm).

Public Comment Policy: We will post all comments in response to this notice on our web site at [http://www.mrm.mms.gov/Laws\\_R\\_D/FRNotices/FRInfColl.htm](http://www.mrm.mms.gov/Laws_R_D/FRNotices/FRInfColl.htm). We will also make copies of the comments available for public review, including names and addresses of respondents, during regular business hours at our offices in Lakewood, Colorado. Individual respondents may request we withhold their home address from the public record, which we will honor to the extent allowable by law. There also may be circumstances in which we would

withhold from the rulemaking record a respondent's identity, as allowable by law. If you request that we withhold your name and/or address, state this prominently at the beginning of your comment. However, we will not consider anonymous comments. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public inspection in their entirety.

MMS Information Collection Clearance Officer: Jo Ann Lauterbach, (202) 208-7744.

---

Date

---

Cathy J. Hamilton  
Acting Associate Director for  
Minerals Revenue Management